

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 FEA-01 ERDA-07 AID-05 CEA-01 CIAE-00

CIEP-02 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-15

SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-10 PA-02

PRS-01 FRB-01 XMB-04 OPIC-06 LAB-04 SIL-01 SAJ-01

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FM AMEMBASSY LISBON

TO SECSTATE WASHDC 7717

INFO USMISSION EC BRUSSELS

AMEMBASSY LONDON

AMEMBASSY MADRID

AMCONSUL OPORTO

AMEMBASSY PARIS

USMISSION OECD PARIS

AMCONSUL PONTA DELGADA

USMISSION NATO

UNCLAS LISBON 4495

E.O. 11652: N/A

TAGS: ECON, EFIN, ENRG, PO

SUBJ: GOP APPROVES ECONOMIC MEASURES

1. ON JUNE 30 COUNCIL OF MINISTERS APPROVED A NUMBER OF
POTENTIALLY SIGNIFICANT ECONOMIC MEASURES. IT DECIDED,
APPARENTLY MOSTLY IN PRINCIPLE, TO:

- ESTABLISH PROGRESSIVE TAX RATES ON INCOME FROM
BUSINESS OPERATIONS;
- INCREASE PROFESSIONAL, COMPLEMENTARY (GENERAL INCOME),
AND CAPITAL INCOME TAXES;
- WIDEN SCOPE OF COUNTRY'S LIMITED CAPITAL GAINS TAX;

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- STIFFEN LAW PENALIZING "GRAVE" TAX OFFENDERS;

- ESTABLISH STRICTER CONTROL OVER BUDGET (SEE LISBON A-171 NOTAL) BY PROGRESSIVELY STANDARDIZING BUDGETARY AND ACCOUNTING SYSTEMS OF AUTONOMOUS AGENCIES AND BY GIVING FINANCE MINISTER POWER TO REDUCE OR SUSPEND BUDGETARY EXPENDITURES;
- "UP DATE" PRICES FOR DIESEL FUEL, COAL OIL, LPG GAS, AND CITY GAS IN ORDER TO COVER REAL COSTS. HOWEVER, DIESEL FUEL PRICE MAY BE RAISED ONLY FOR PRIVATE CARS;
- ESTABLISH UNIFORM PRICES FOR WHOLE COUNTRY;
- INSTITUTE TAX MEASURES TO STIMULATE HOME-BUYING AND REVITALIZE CONSTRUCTION INDUSTRY;
- CREATE NATIONAL INSTITUTE OF METEOROLOGY AND GEOPHYSICS, MEETING DEMAND OF STRIKING METEROLOGISTS. (SEE LISBON 4421 AND 4447 NOTAL); AND REQUIRE THAT ALL DOCTORS WHO HAVE GRADUATED SINCE 1973 SERVE ONE YEAR OF MEDICAL SERVICE IN RURAL AREAS.

2. COUNCIL OF MINISTERS COMMUNIQUE DEVOTED CONSIDERABLE ATTENTION TO ENERGY CONSERVATION. IT CITED ENERGY CONSERVATION MEASURES CONTAINED IN RESOLUTIONS OF DECEMBER 3, 1975 AND JANUARY 21, 1976, NOTING THEY HAD BEEN ONLY PARTIALLY IMPLEMENTED. COMMUNIQUE CALLED FOR COMPLIANCE WITH RESTRICTIONS ON TV BROADCASTING, STAGGERED WORK HOURS IN URBAN AREAS, LOWER HIGHWAY SPEED LIMITS, AND DISCIPLINE IN CONSUMPTION OF GASOLINE BY STATE-CONTROLLED ENTITIES. MINISTERS ALSO ANNOUNCED THAT THEY EXPECT TO DECIDE ON ESTABLISHMENT OF EITHER GAS RATIONING OR A LIMIT ON WEEKEND DRIVING.

3. COMMENT: APPROVAL IN MOST CASES APPEARS TO HAVE BEEN ONLY IN PRINCIPLE. POSSIBLE EXCEPTIONS ARE FUEL AND CEMENT PRICES. MINISTERS WILL NOW HAVE TO PREPARE DETAILED PROPOSALS FOR FURTHER APPROVAL AND IMPLEMENTATION. THIS PROCESS WILL PROBABLY REQUIRE CONSIDERABLE TIME.
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